

# Washington's Economy On The Mend

## The Present

Since the economic recovery began in the 4th quarter of 2001, Washington has gained 48,000 jobs – a growth rate of about 1.8 percent. Although the state job recovery has been slow, it has been stronger than the overall U.S. recovery, which saw less than 1 percent job growth in the same period. The state recovery has been aided by slowing layoffs in the aerospace industry, the stimulus derived from federal tax cuts and deficit spending, very strong growth in the housing sector due to low interest rates, and increased disposable household income from home mortgage refinancing.

The relative strength of the state's recovery reflects Washington's underlying economic power, which includes a vital export base, the presence of knowledge-based industries such as business, professional, health and financial services, and a high quality of life that continues to support strong population growth.

After two years of decline, Washington State's non-farm payroll employment grew by 0.8 percent in 2004. Personal income grew at a rate of 3.8 percent, a significant improvement over the prior two years. Prior to 2001, Washington's personal income was growing at rates that regularly exceeded 7 percent. The aerospace industry continued its decline into 2004 with an employment drop of 11.4 percent. Total manufacturing employment fell by 4.5 percent. This extended the trend of the last three consecutive years of employment decline in manufacturing. In 2004, Washington's unemployment rate receded to 6.9 percent, slightly below the levels of the last two years. As late as 2000, the state's unemployment rate was below 5 percent.

## The Future

The economic forecast for Washington State for 2005 reflects the impact of the long-awaited recovery at both the state and national levels. According to the November 2004 forecast by the state Economic and Revenue Forecast Council, growth in Washington's non-farm payroll employment is predicted to increase by 2.1 percent in 2005, a rate closer to the state's long-term average employment growth and significantly higher than the expected national growth rate of 1.6 percent for non-farm payroll employment in 2005.

Washington's personal income growth will rebound in 2005 with growth of 5.2 percent. U.S. personal income growth is predicted to be 5.3 percent in 2005. Employment growth in manufacturing, including aerospace and information technology, will help push Washington's personal income up to the national level in 2005.

Manufacturing employment in Washington is projected to resume growing in 2005. Aerospace employment is expected to grow slightly by 0.7 percent. Other manufacturing sectors are also expected to show some increase in employment, adding about 1,900 jobs – a 1 percent increase.

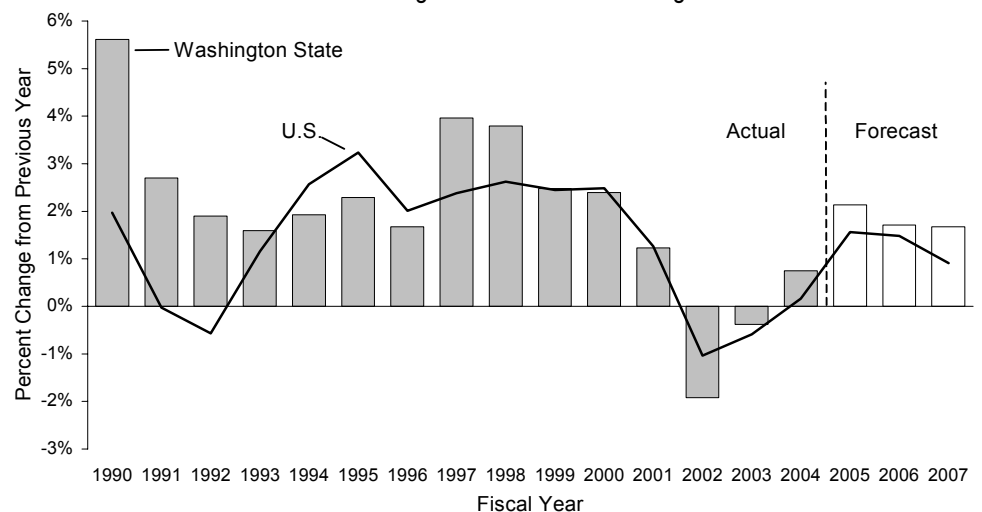
Most sectors of durable manufacturing are expected to increase in employment. The fastest employment growth is expected in: machinery, 5.8 percent; electrical equipment, appliances and components, 5.5 percent; and other transportation equipment, 6.5 percent. Most sectors of non-durable manufacturing are expected to continue declining. Employment in food manufacturing is forecast to fall by 2.9 percent, and in paper and paper products manufacturing by 2.5 percent. Employment in other non-durables manufacturing should grow by 1.4 percent in 2005.

In the non-manufacturing sectors, the strongest growth is predicted to occur in the construction sector. Construction employment is forecast to grow by 3.9 percent in 2005. Services employment growth is expected to be another bright spot in the recovery. Employment in that sector should grow by a relatively robust 3.6 percent in 2005.

Except for federal government civilian employment, all other non-manufacturing sectors are expected to increase employment.

## PERCENT CHANGE IN WAGE AND SALARIED EMPLOYMENT

Washington State vs. U.S. Average



Source: Office of Financial Management